Investor Update - 06

Azurean India Equity Fund 1

(SEBI registered Category III AIF)

Azurean Investment Managers Private Limited

(support@azurean.in)

Dear Sir/Madam,

The sixth quarterly investor update for **Azurean India Equity Fund 1**, a Category III AIF is as follows:

Indian equity markets have seen a sharp correction over the last three months. Crude and natural gas prices have escalated with the disruption in the movement of vessels in the Strait of Hormuz with the war in the west Asia. The Indian economy is closely linked to the GCC countries with them supplying a bulk of India's energy needs and also providing employment to a large Indian Diaspora. This makes the Indian economy relatively more vulnerable as compared to other emerging economies.

Over the three-month period ending March 2026, performance across market capitalizations has been under pressure with the month of march being particularly weak.

PERFORMANCE OF BENCHMARK INDICES					
As on 30-Mar-26	**3 m**	**1 year**	**3yr CAGR**	**5yr CAGR**	**10yr CAGR**
Nifty 50	-14.5%	-5.0%	8.8%	8.7%	11.2%
Nifty Midcap 100	-13.0%	1.9%	20.6%	17.3%	15.2%
Nifty Smallcap 100	-13.5%	-5.5%	19.1%	13.4%	12.0%
Nifty 200	-14.0%	-3.8%	15.1%	13.3%	11.9%

Contrary to our expectations, the large cap Nifty 50, was down the most at 14.5%, while midcap and small cap indices were down 13.0% and 13.5% respectively. We continue to believe that large caps are well placed compared to mid and small caps, with selective good investment opportunities in mid and small caps.

FUND PERFORMANCE			
As on 31-Mar-26	**3 m**	**1 year**	**Since inception**
Fund NAV	-12.4%	-4.0%	-10.3%
Nifty 200 (Benchmark Returns)	-14.0%	-3.8%	-12.0%

*Returns are on a pre-tax basis

The fund is invested in predominantly large cap stocks and select stocks in the midcap and small cap segment. Since inception, the Nifty 200 index is down by 12.0%, while the Fund NAV is down by 10.3% in the same timeframe.

In the last 1-year, global equity markets have been impacted due to heightened geopolitical issues- initially Tariffs implementation by the US and lately due to the war in the west Asia. But among the global equity markets, India has performed poorly even on a relative basis.

Strait of Hormuz disruptions impacts India's energy supply chain : Over 50% of India's LNG demand is met by imports and most of the LNG imports pass through the Strait of Hormuz, with Qatar being the major supplier. Prolonged closure of the Hormuz channel is impacting both the price as well as availability of Natural Gas. Scarcity of Gas is affecting a gamut of industries ranging from automobiles, ceramics, chemicals and petrochemicals etc.

As 20% of global crude passes through the strait of Hormuz, the closure of this channel is impacting crude availability and prices which in turn is affect fuel availability in the country. Crude oil & its derivatives are also used as feedstock in various industrial segments and is impacting the operations of the user industries. As India depends on imported crude for over 80% of its demand, we are more affected with the war situation in West Asia. Most experts believe that the current situation may not last longer than a few more days. We would be closely tracking the developments in West Asia and the implications it would have on global supply chains. Quick Restoration of the energy infrastructure channels after the end of the hostilities would be important for oil and natural gas markets to return to stability.

During FY26, the rupee has suffered significant deprecation, owing to fear of imposition of US tariff, a sharp rise in Crude oil prices and continuous FII selling. While the Rupee depreciated by 10% in FY26 against the dollar, the depreciation with the euro has been sharper. The weaker rupee has aided exports. Despite global headwinds in FY26—initially uncertainties due to US trade tariff and lately war related supply disruptions-—India's FY26 GDP is estimated to grow at ~ 7.4%, cementing its position as a global growth leader.

INR Currency	INR / USD	INR / EUR
March 2025	85.5	92.1
Jan 2026	90.0	105.7
March 2026	94.8	109.0
Q4 depreciation	5.1%	3.1%
FY26 depreciation	9.9%	15.5%

Portfolio Positioning and Attribution

Equity market performance during the Q4FY26 has been weak, with most sectors delivering negative returns owing to the conflict in the West Asia and its impact on the global economy. Market breadth has been narrow, and the markets have given up much of the gains seen over the prior two quarters.

Over the last 18 months, the Nifty is down 15% from its peak while earnings have grown by 15%, thereby resulting in compression of valuations substantially. Based on street estimates, Nifty is trading at a multiple of 18.5x on a price-earnings ratio on FY27 estimated earnings.

This is one of the lowest multiples that the market has traded in the last few years since the Covid pandemic. Our outlook on Indian equities is constructive, with a favourable risk-reward tilt towards the largecaps as compared to midcap and smallcap equities.

In line with our view, the fund maintains a significant exposure to large, well-run companies. Midcap and Small cap companies' exposure is restricted to ~20%, with higher valuations in this segment being a key concern.

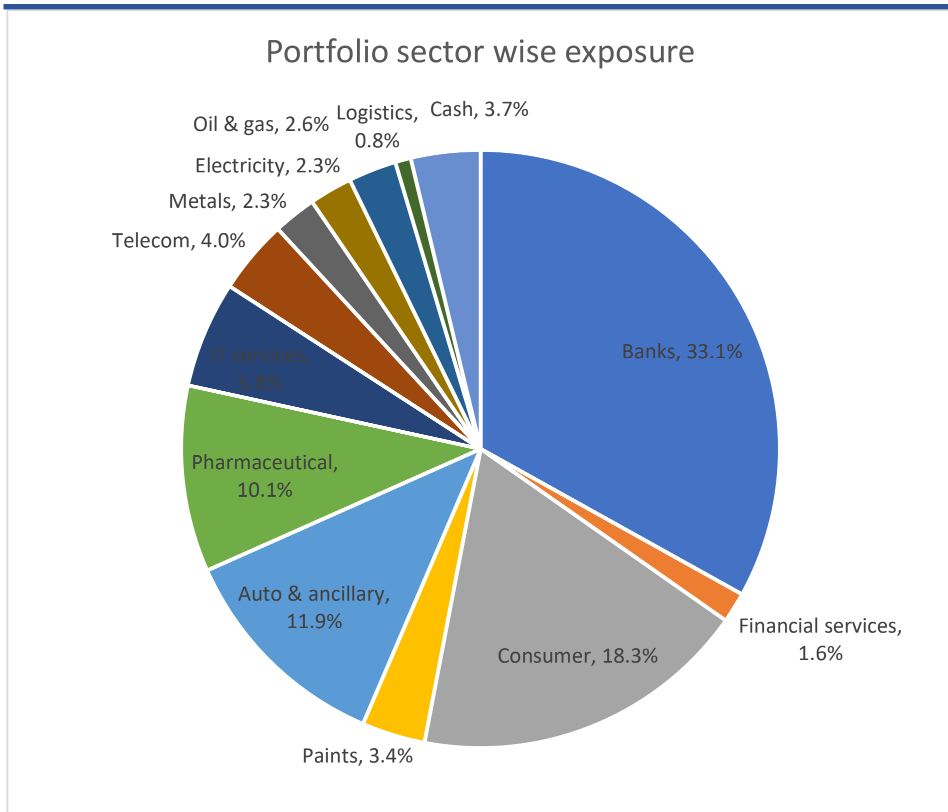
As of March 30, 2026, the portfolio allocation is as follows:

Exposure to Large size companies	Exposure to Medium size companies	Exposure to Small size companies	Cash level
74.9%	12.5%	8.9%	3.7%

During the quarter, the sectors that outperformed are Metals, Energy and Pharmaceuticals, while IT and FMCG have been laggards. The fund is optimistic on the consumption theme and has a significant overweight position in FMCG, Pharmaceutical, Automobile and Private Banks sectors.

Top Performing sectors	4QFY26
Nifty Metals	-0.3%
Nifty Energy	-1.3%
Nifty Pharma	-2.2%
Nifty Infra	-11.0%

Bottom performing sectors	4QFY26
Nifty IT	-23.3%
Nifty FMCG	-17.9%
Nifty Auto	-15.7%
Nifty Banks	-15.6%



Automobiles:

After a strong run last year, post the reduction in the Goods and Services Tax all categories of automobiles — including two-wheelers, passenger cars, and commercial vehicles in September, the sector has seen a sharp correction in March. The war in West Asia would impact the automobile sector negatively, with rising input costs of commodities and potential increase in fuel prices. Vehicle sales volumes across 2-wheelers, passenger car and commercial vehicle were strong in the month of March as well, but the sector has been among the laggards in performance.

The fund maintained an overweight position, with a 12% exposure to leading passenger car and two-wheeler manufacturers throughout the quarter. Our exposure in the auto sector is to leading OEMs and a limited exposure to the ancillary sector. We believe, the growth momentum would continue in the FY27 as well driven by new launches and tailwinds of GST reduction benefits.

Auto sales	FY26	FY25	YOY %	Auto sales	FY26	FY25	YOY %
Maruti Suzuki	24,22,713	22,34,266	8.40%	Hero MotoCorp	64,68,834	58,99,187	9.70%
Hyundai	7,75,031	7,62,052	1.70%	TVS Motor	58,89,008	47,43,636	24.10%

M&M - Auto	11,02,866	9,28,028	18.80%	Bajaj Auto	51,17,667	46,50,966	10.00%
Tata Motors - PV	6,41,587	5,56,263	15.30%	Royal Enfield	12,38,659	10,09,900	22.70%
Tata Motors - CV	4,28,329	3,76,903	13.60%	M&M - Tractors	5,26,403	4,24,641	24.00%
Ashok Leyland	2,20,437	1,95,097	13.00%	Escorts Limited	1,33,670	1,15,554	15.70%
VECV	1,03,495	90,161	14.80%				

Metals:

Metals sector has been one of the top performers for the quarter and remained flat (-0.3%) while the broad market fell by 14%. For the full year FY26, metals were the best performing sector with 22.5% gain in the metal index. (Hindalco was up over 50% in one year and Tata steel was up ~ 40% during the year). Domestic steel prices have recovered in Q4FY26, while prices of non-ferrous metals like Aluminium, Coper remained strong through the year. Extension of safeguard duty on steel imports into India helped sustain domestic steel prices. The ongoing war has further led to increase in Aluminium prices as the supply from smelters in the West Asia which account for ~ 9% of global aluminium has been disrupted. Further sharp depreciation in rupee has helped domestic realisations of metal prices. The fund missed most of the rally in metals and had limited exposure to the sector and was underweight.

Consumer Staples:

The FMCG sector performed poorly with the Nifty FMCG index down 18% in the quarter and down 15% for the full year FY26 respectively. Although, the sector benefited from GST reforms — with most staples now being taxed at 5%, the lowest slab — the sector failed to perform. Volume growth pick up was tepid, and higher input prices such as Tea, coffee, palm oil, Copra prices have impacted margins, thereby denting profitability. As some input prices have been on a declining trend, FY27 should be a good year for consumer companies. Key risk would be spikes in crude prices which would impact packaging costs in the near term. Commentary for the fourth quarter from Marico and Dabur are showing encouraging demand signs and stable margins. As company share prices have declined from the recent highs, valuations of these companies are at very attractive levels.

The fund has a substantial overweight in the consumer sector, with a 19% weightage. This position has contributed negatively as the sector has been a poor performer both in the quarter and over the year. We view the slower demand growth in consumer staples as a temporary phenomenon which would reverse and grow inline with nominal GDP growth. With the relative valuations of the sector having moderated, we remain overweight in this segment.

Financials:

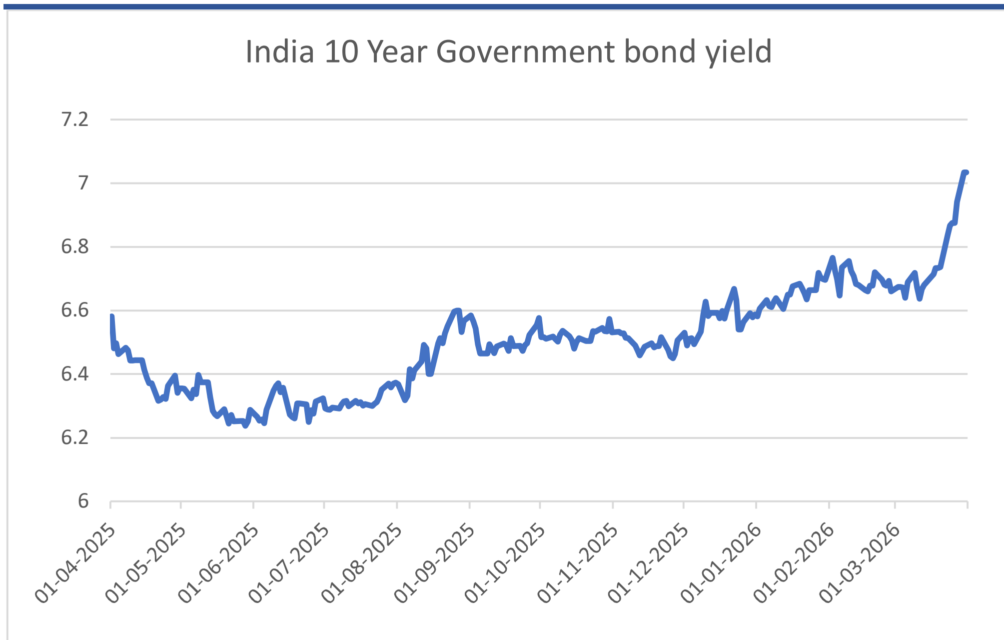
Banking and the financial sector has seen a significant interest from strategic and private equity investors. Federal Bank, RBL bank, Yes bank, Shriram Finance, Aditya Birla home finance, Manappuram gold finance and other lending institutions have seen large equity infusion from strategic investors over the past six months.

The sector dynamics look good with improved credit growth and lower credit costs. For FY26 (as of 15th Mar) system credit grew by 14.6% yoy, while deposit grew by 11.1% yoy. Growth in credit was broad based with credit to industry, retail and services growth at 13.5%, 15.2%, and 16.3% yoy respectively. Retail credit growth was driven by strong vehicle loans which grew 17% yoy. We believe credit growth to be substantially above that of nominal GDP growth for next year and ahead of the current year.

In the lending segment the fund holds a significant exposure to the top four private sector banks, which has been a consistent position since inception of the fund. While it is possible that during certain periods lenders to niche segments would outperform, our preference is to stick to large banks where the growth and profitability has been stable.

During the quarter, banks performed poorly with Nifty Bank index moving down by 15.6%. Within the banks, last year PSU banks did exceptionally well with Nifty PSU bank index moving up nearly 30%, while Private banks largely remained flat to a marginal decline. Affordable housing finance companies have been growing the loan book and profitability well along expected lines on a low base, but share price performance was subdued. Overall, among the lending institutions, PSU banks and select few NBFCs have done well during the last year, while top private banks, micro finance and affordable housing companies performed poorly. The Fund exposure in the lending business has been to the top four private bank which we believe would generate good risk adjusted returns over the medium term. The cut in policy rates by the RBI over the last year, contributed to compression in the Net Interest Margin of banks, as the assets re-priced faster as compared to the liabilities. As most of the monetary easing is behind us, FY27 should be a good year for banks as they regain the net interest margins.

Companies exposed to Capital markets such as asset management companies, wealth managers, market infrastructure service providers have done well on the back of strong domestic liquidity. Domestic Inflows to the mutual funds continue to remain robust with SIPs remaining steady. Valuations of brokerages and market infrastructure players like RTAs etc. are still elevated. The regulator SEBI has been concerned about excessive trading volumes in derivatives and steps to moderate the same could bring down the volume of trades and remains a key risk for this segment. The fund has exposure to asset managers, a credit rating company and a health insurance company. We believe these select exposure in financial service sector helps us diversify and participate in the growth of this sector.



Pharmaceuticals:

The Fund has a significant overweight in the pharmaceuticals sector from inception. During, 4QFY26, the sector has outperformed with the decline being restricted to 2.2%. Even though, pharmaceutical exports were exempted from tariffs, there is a fear that they could be brought under tariffs and the sector was trading at lower earning multiples.

On 2nd April 2026, President Trump announced tariffs on pharmaceutical imports, citing national security concerns arising from the US's heavy dependence on overseas drugs and ingredients. Even in this proposal, generics and biosimilar drugs are exempted. While it is proposed that a 100% *ad valorem* tariffs on patented drugs and related ingredients would be enforced. The tariffs on patented drugs and ingredients would be exempted if pharma companies adhere to MFN- based pricing or commitment to domestic research and manufacturing. Overall, the pharmaceutical exports of ~ US 10bn of generics from Indian Companies to USA would have a negligible impact as the imposition on tariff would not be applicable to them.

While the domestic pharmaceuticals business has grown at a steady pace, the growth momentum is likely to continue into FY27, driven by new product launches including weight loss drugs (GLP-1 class).

We remain positive on the outlook for pharmaceuticals, as Indian manufacturers supply a substantial share of generic medicines to the US and remain among the lowest-cost producers globally. Any moderate increase in cost would be passed on and profitability would be maintained. We continue to maintain a significant overweight exposure to the pharmaceutical companies.

New-age businesses:

The fund does not have exposure to new age businesses such as fintechs, ecommerce and food delivery and platform or market places. We are concerned about high valuations and profitability challenges in this space, but would keep evaluating this space and explore taking exposure at attractive entry points.

Renewable Energy & Power:

India's power sector has been attracting strong growth in investment driven by renewable energy and transmission sectors. Installed generation capacity of the country has now crossed 524 GW (as on Jan-2026), of which half would be from renewable sources. Significant growth in renewable energy generation over the last few years has addressed the critical issue of power deficit. Renewable energy sources now account for about 16% of electricity produced. Driven by high pace of capacity additions in solar energy, the transmission sector is also attracting strong demand which is evident in huge order books and improved pricing for transmission equipment. While India continues to add solar energy capacities at a rapid pace, and high growth in order book for T & D companies, the significant over capacity in solar module-making capacity make us cautious on the sector.

Other Sectors:

The fund was underweight in Cement, Oil and Gas, Infrastructure & Capital Goods, and the Technology sectors. Among these, the underweight in Metals impacted the performance negatively during the quarter, while underweight in Technology was beneficial. We continue monitoring these sectors closely for attractive opportunities on a regular basis.

Outlook and Positioning:

Contrary to our expectations, during the last year, large-cap companies did not outperform mid and small cap companies despite lower valuations. We continue to maintain our stance that risk-reward is more favourable towards large-cap companies. Overall, the portfolio remains anchored in well-established companies and sectors with proven business models. We believe, on an aggregate, our portfolio companies would grow the earnings in double digits over a 3 to 5 year period which should result in generating attractive returns. We continue to explore emerging opportunities in new-age businesses, such as renewable energy, internet, and e-commerce, which are expanding rapidly. We intend to participate selectively in these areas at attractive valuations.

The Fund's exposure to various sectors and companies is shown in the Annexure-1.

Macro-Economic: - Headwinds and Opportunities

Union Budget FY2026-27

FY26 was a year of strong fiscal consolidation with 40bps reduction in fiscal deficit to GDP to 4.4%. The Union Budget FY27 continues the path of fiscal prudence and estimates a modest reduction in fiscal deficit to GDP ratio of 4.3%. The limited consolidation in the year is due to the substantial cut in GST rates in Sep-25 and the sustained focus on capital expenditure in the economy. The Centre now begins to target Debt/GDP as the primary anchor from FY2027 onwards, with fiscal deficit being the operational variable. And have committed on adhering to the consolidation path and target to bring down the Debt/GDP to 50±1% by FY31 from the current level of 56.2%.

Over the last few years, the Government has undertaken many measures to provide growth impetus to the economy. Cut in personal income tax slabs and rates coupled with the cuts in GST rates have acted as stimuli to accelerate consumption growth. Capital expenditure spending has also been strong with the government remaining committed to spending on infrastructure. Spending on revenue expenditure items and subsidies has been curtailed in a supportive environment. The Finance Ministry has factored a healthy nominal GDP growth rate of 10% during FY26 when inflation has been at historical lows.

Growth in central government's capital expenditure for FY26 looks subdued at 4% to Rs11trn. However, if we add back the grants and incentives for capital expenditure and internal and extra budgetary resources raised by government undertakings for capex, the overall spends on capital expenditure has been healthy. During the last year defence sector received a strong capital push with growth in capex of 17%, while the expenditure on railways and roads were subdued. For FY27, government projects capital expenditure growth to be healthy at 12% which should help growth in infrastructure sector.

Government has already given a significant stimulus to consumption by hiking income tax slabs during last year's budget and cutting GST rates substantially from September 22nd onwards.

- While nominal GDP is estimated to grow by 10%, Gross tax revenues to grow at a lower level of 8%
- Gross tax collections to GDP to be at 11.2% for FY27, a slight decline over last year
- Direct tax revenues growth strong, but indirect tax revenues to lag due to cut in GST rates
- Growth in Capital Expenditure that moderated in FY26, projected to grow well in FY27
- Central government debt to GDP to come down from 56.1% in FY26 to 50% by FY31

- At this juncture we believe impact of war in west asia on fiscal deficit and government borrowings to be moderate as we believe the tensions to ease soon.
- Increase in Securities Transaction Tax on futures and options
- Buybacks by companies will be treated as capital gains

Rs bn	FY24	FY25	FY26RE	FY27BE	FY26 yoy%	FY27 yoy%
Corporation tax	9,111	9,868	11,090	12,310	12%	11%
Personal Income tax	10,584	12,491	13,275	14,940	6%	13%
Goods &Services Tax	9,572	10,270	10,465	10,190	2%	-3%
Customs Duty	2,331	2,332	2,583	2,712	11%	5%
Excise Duty	3,054	3,003	3,366	3,889	12%	16%
Gross tax Revenue	34,655	37,964	40,778	44,041	7%	8%
Capital Expenditure	9,492	10,520	10,958	12,218	4%	12%
Subsidies	4,123	3,850	4,297	4,105	12%	-4%
Gross fiscal deficit	16,546	15,744	15,585	16,958		
Nominal GDP	3,01,230	3,30,682	3,57,139	3,93,004	8.0%	10.0%
FD/GDP	5.5%	4.8%	4.4%	4.3%		

Q3FY26 Earnings Growth has been Healthy

For the quarter ending December 2025, corporate earnings grew in double digits driven by stronger growth in mid and small cap companies. The earnings growth was led by cyclical commodity sectors such as metals, cement and oil refining and marketing companies. The power and capital goods sector have also reported strong growth in earnings in the quarter. While the broader universe of companies reported earnings growth in double digits in Q3FY26, the Nifty 50 corporates earnings growth was lower at 7% yoy growth. The tepid growth in earnings for Nifty companies can be attributed to poor earnings traction for select large entities. Even though the ongoing war in west Asia has led to some moderation in earnings growth estimate for FY26 and FY27, growth in earnings for FY27 still likely to be in double digits.

With external headwinds—rise in oil & gas prices and temporary supply constraints due to the ongoing war in west asia—the economy is being supported by pro-growth reforms undertaken by the government. Cut in direct and indirect taxes would be a stimulus to drive consumption growth. And capital investment in infrastructure and policy push for domestic manufacturing in electronics and high tech industries, nuclear and renewable energy sectors would drive broad-based earnings growth across sectors.

Index earnings	Sales		EBIDTA		PAT	
Rs bn (free float)	Q3FY26	YoY	Q3FY26	YoY	Q3FY26	YoY
Nifty	6,713	9%	1,295	6%	1,196	7%
Nifty midcap 100	2,158	12%	319	10%	253	25%
Nifty Small cap 100	922	10%	100	15%	84	16%
NSE 200	11,092	10%	1,952	11%	1,743	10%

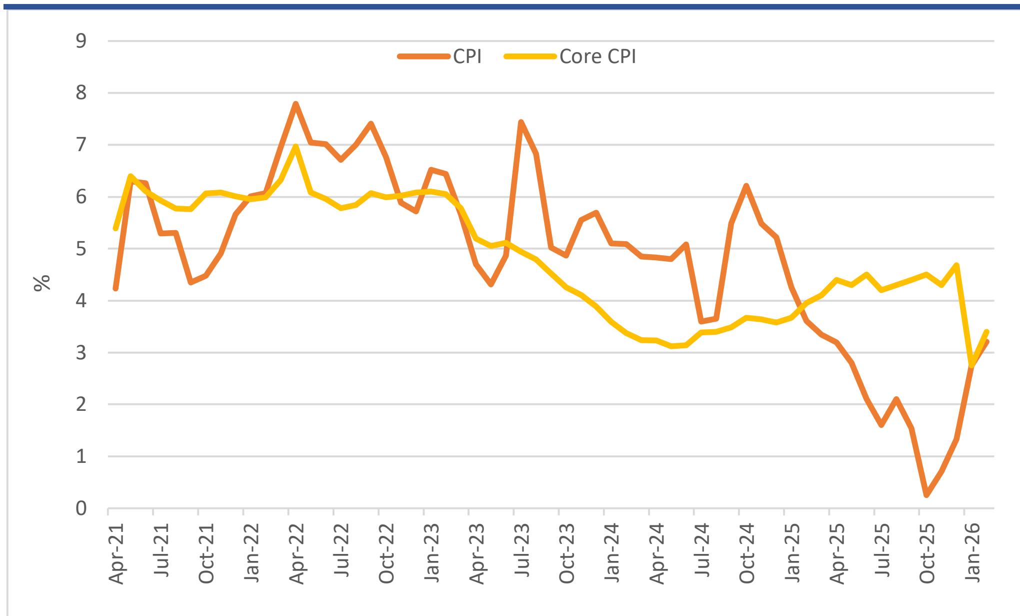
Source: i-sec research

Inflation was benign in FY26 at 2.1%

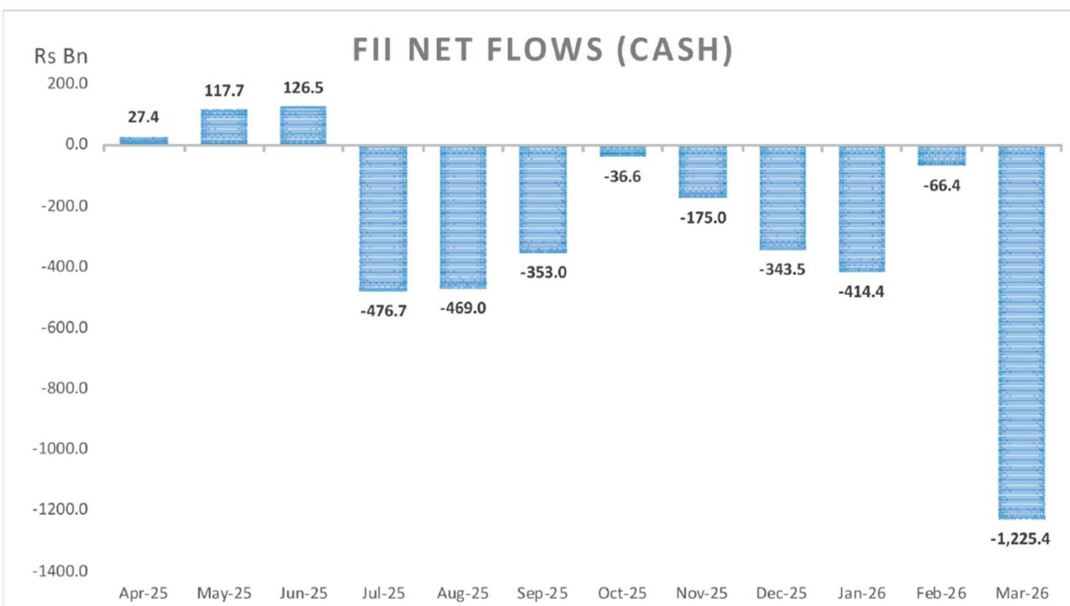
Headline inflation during Nov-Dec 2025 remained much below the tolerance band of the inflation target while Jan-Feb 2026 readings moved back into the target range. RBI in its February monetary policy has forecasted CPI inflation in Q1'26-27 and Q2'26-27 at 4.0% and 4.2%, respectively. However, with the sharp rise in crude and natural gas prices due to the West Asia crisis, upside risks to the inflation is likely. Headline inflation for the month of Feb 26 stood at 3.2% with food inflation moving up to 3.4% from lower levels.

As FY26, was one of the low inflationary year with estimated CPI inflation of 2.1%, with exceptionally low food inflation, the RBI used the situation to cut rates with growth being a priority. RBI cut policy rates by 75 bps in the year, taking the repo rate to 5.25%. With upside risks to inflation increasing with elevated energy prices, and a weak rupee, further reduction in interest rates is unlikely. Bond yields have also moved up with the 10-year government bond yield moving up by nearly 80bps from the lows to over 7% reflecting that the rate cut cycle is behind us.

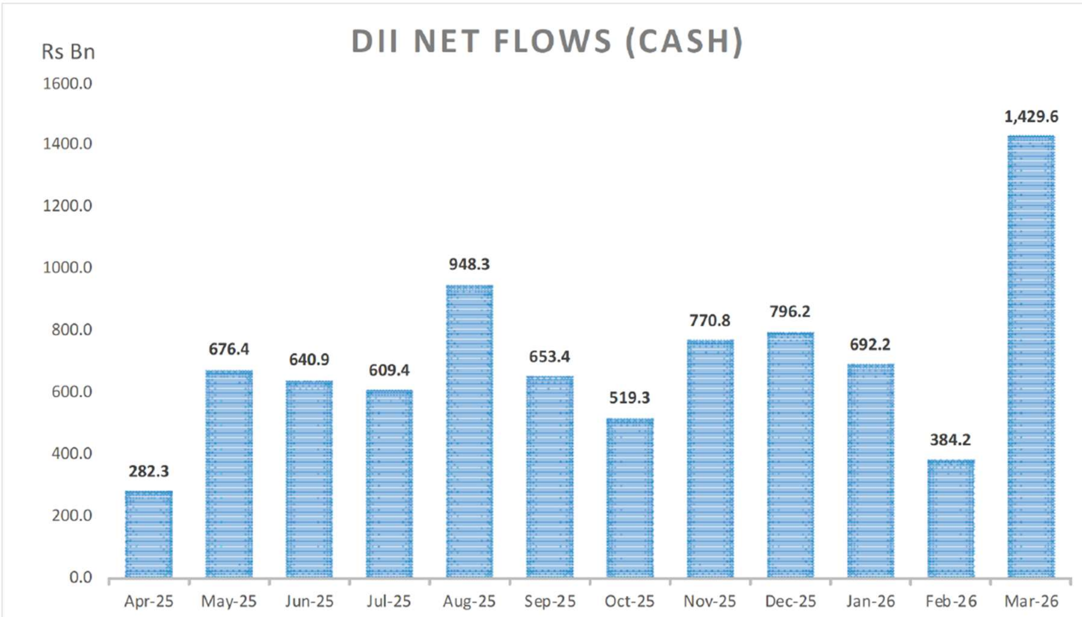
Date	Action	Repo Rate
09-Apr-25	Cut of 25 bps	6.00%
06-Jun-25	Cut of 50 bps	5.50%
07-Aug-25	Pause (Hold)	5.50%
01-Oct-25	Pause (Hold)	5.50%
05-Dec-25	Cut of 25 bps	5.25%
06-Feb-25	Pause (Hold)	5.25%



FIIs continues to be a net sellers, while domestic flows strong



Source: BSE, NSE, Dhanki Securities



Source: BSE, NSE, Dhanki Securities

Foreign institutional investors have been seller of Indian equities through the last year with significant rise in selling of equities during March. India has been one of the attractive investment market destinations among the emerging market universe for FIIs. Well-developed capital market infrastructure, healthy growth prospects and strong macroeconomic funda mentals have contributed to the attractiveness of the Indian Capital Markets. Foreign portfolio investors are significant investors in India owning ~ 18% of the total Indian listed equities.

Domestic liquidity has been favourable with steady flows into equity mutual fund schemes and domestic institutions have been large buyers of Indian equities. The primary markets remained buoyant, with record listings during the last year. Corporates, private equity investors, and promoters collectively raised substantial capital through IPOs and secondary offerings in FY26. In this influx of paper of a large number of IPOs, some good quality businesses in newer and niche sectors are also getting listed and expanding the investible opportunities in the listed space.

Despite short-term challenges on account of sharp rise in energy prices due to geopolitical issues, India's macroeconomic fundamentals remain robust. Lower GST rates, benign inflation, and sustained domestic liquidity provide a solid foundation for continued growth. We remain optimistic about the growth prospects of equities in India.

We thank our investors for their trust and confidence in the fund and remain committed to delivering superior risk-adjusted returns and look forward to a continued partnership in the years ahead.

Details of the fund exposure and risk disclosures are in the annexures.

Sampath Reddy, CFA
(Fund Manager)

Reshma Banda

Azurean
Investment Managers

Risk Disclosures

Concentration risk	Fund has a diversified portfolio of investments spreading across multiple sectors and market cap segments
Leverage risk	Fund has no leverage, and no borrowings and has no exposure to derivatives. Fund made investments in lending companies such as Banks & NBFCs that have capital adequacy above the regulatory norms.
Realization risk	All of the equity investments of the fund are in listed equities and are available for sale
Foreign investment risk	Fund does not have any investments in foreign entities
Strategy risk	Fund's portfolio is managed as per the strategy outlined in the PPM. There is no change in investment strategy of the fund.
Fees	Fees ascribed to the investment manager is as per the PPM
ESG risk	We look to invest in companies that follow good ESG practice

Disclaimer